



December 7, 2012

Request for Letters of Interest for North Slope Liquefied Natural Gas Plant:

The Alaska Industrial Development and Export Authority (“AIDEA”), is seeking expressions of interest from one or more parties for participation in the financing, development, and operations of a liquefied natural gas (“LNG”) production system on the North Slope designed to provide energy to interior Alaska.

Current energy costs in the Fairbanks North Star Borough (“FNSB”) of Alaska are extremely high for industrial processes, electrical generation, and commercial and industrial space heating. Various parties in the region have evaluated the potential conversion of current systems from heating oil and diesel to natural gas. It has been determined that, with appropriate facilities and financing, natural gas has the potential to substantially decrease costs, while also improving air quality.

The potential benefits of the natural gas conversion depend on:

- Securing access to adequate long-term North Slope natural gas supplies at competitive rates,
- Financing, developing, and operating a liquefaction facility at the source and an LNG transportation system,
- Establishment, financing, development, and operation of a natural gas re-gasification, storage and distribution system in the FNSB.

Initial analyses indicate that, once all these facilities are in full operation, the system would be self-supporting with rates that provide substantial savings to interior Alaska energy users. Public and private entities in the FNSB have developed plans for the establishment, financing, development, and operations of the “downstream” elements of the natural gas distribution system. However, since the benefits only accrue when (and if) all elements of the system are in operation, financing, development and operation of the North Slope LNG Plant must also be assured to make the system feasible.

In order to facilitate the development of the interior Alaska natural gas system, AIDEA is prepared to explore financing, guarantees, and other incentives to ensure the development of a North Slope LNG Plant, in coordination with the parties expected to develop the FNSB-located elements of the system. The FNSB elements should include an open access facility that can process and sell conditioned gas at wholesale to companies that want to purchase the product for a variety of uses.

Through this letter, AIDEA seeks expressions of interest from a single full-service entity, or an organized team of entities, that can participate in financing, planning, design, construction, commissioning, and operating the North Slope LNG Plant program. Parties interested in one or more facets of the project may provide letters of interest, in the event AIDEA wishes to join several entities into an integrated implementation team.

Based on expressions of interest received, AIDEA, with policy guidance from the Alaska Energy Authority ("AEA"), and in consultation with the other stakeholders in the interior Alaska natural gas system, will formally seek third party participation.

Parties that express interest in comprehensive participation in the needed elements of the system should include a full turn-key development of the North Slope plant in a configuration that is able to supply conditioned gas at a competitive price for present needs as well as future gas supply needs. AIDEA is particularly interested in receiving responses that provide:

- Long-term, competitive supplies of North Slope natural gas,
- Expertise in development and construction of comparable facilities,
- Design and procurement of necessary equipment for the plant,
- Equity, guarantees, or other private financing appropriate to a development of this nature,
- Overall project design, development, and operation through a public-private-partnership (P3).

AIDEA will evaluate any expressions of interest in the context of the following overall objectives:

- Providing a reliable, long-term supply of LNG for shipment to FNSB at a predictable, competitive cost,
- Establishing a plant that meets initial projected demand with modular expansion capacity for future needs,
- Developing a plant that has appropriate life-cycle cost effectiveness,
- Obtaining cost-effective overall cost of capital and optimal use of federal, state and private funding sources,
- Assuring compliance with the cooperating stakeholders in the development, operation, and maintenance of the project.

If the interested FNSB parties can structure and finance a comprehensive and cost-effective distribution system, AIDEA could work with any third party interests to finance the North Slope LNG Liquefaction Plant. AIDEA has a number of financial capabilities, including the new Sustainable Energy Transmission and Supply development fund (SETS), which provides for loan and bond guarantees and direct loans for energy development projects

If the combination of private third party equity ownership with the option of AIDEA financing is insufficient to develop the project, AIDEA will consider direct equity participation (in addition to the aforementioned financing tools) in the project development. Under this scenario, construction and operation would be by third party interests. AIDEA would assume an equity ownership, with the ability to control equal access to processing capacity. AIDEA would ensure the LNG commodity would be available to all potential customers, with an emphasis on lowering the cost of energy to Alaskan residents.

AIDEA estimates that, under current market conditions, the blended cost of capital

derived from AIDEA financing will be at or under 3.00% on a 20-year basis.

The “Fairbanks North Star Borough – Gas Distribution System Analysis” study commissioned by the FNSB, provides detailed information on the potential market demand, distribution system characteristics, etc. for the energy users in the FNSB. This document is available at: www.co.fairbanks.ak.us

The project will consist of the following infrastructure components:

- Interconnections with existing gas transmission pipelines
- Transmission pipelines from interconnection to a gas conditioning plant
- Gas conditioning plant
- Gas liquefaction facility
- System control facilities, fire suppression systems, SCADA
- Liquefied Natural Gas Storage facility
- Liquefied Natural Gas off take, including weigh stations

Capacity – The project will be modular in design, capable of being moved to the North Slope either on tractor-trailer or on a sea lift barge. The initial phases of development will be coordinated with the realization of demand from customers. Initial development of the plant will be with adequate gas conditioning and liquefaction of 7 to 9 BCF/yr of LNG which is utility grade, with CO₂, water, sulfur, and natural gas liquids removed. The plant is to be expandable up to 20 BCF/year to respond to projected demand.

Location for facility – AIDEA is presently working with two stakeholders with developed project sites. Interested parties may also contact the Alaska Department of Natural Resources to determine what state land may be available as a site for the project.

Natural gas feedstock source – AIDEA is working with at least two stakeholders that have gas supply contracts to provide natural gas feedstock for producing the liquefied natural gas wholesale commodity.

Fire Safety and Risk Management – The facility will be segmented into fire and explosion safe component spaces, to prevent total facility loss in the event of fire or explosion, in compliance with fire and life safety codes, and local jurisdiction rules.

Liquefaction process – With letters of interest, respondents are required to explain the liquefaction process envisioned in their development, and provide explanatory information on the process, including the efficiency of the process, power requirements, reliability, extent of land area required by the plant, and the number of liquefaction trains expected for the initial development and full build out. The discussion of the process should explain how it is particularly suited for the planned project situated on the Alaskan North Slope.

Expected Customers for bulk LNG – AIDEA expects the developer to offer service and where requested, to develop marketing relationships with LNG bulk customers, including Flint Hills Refinery, Golden Valley Electric Association, Fairbanks Natural Gas, and a new municipal gas distribution utility presently being formed for service in Fairbanks and vicinity. AIDEA could also assist other customers within Alaska that would benefit from

LNG availability.

Description of supply chain for LNG commodity downstream from LNG facility - Gas is to be shipped in tractor-trailer tanks over the Dalton Highway to an LNG storage facility. LNG will be distributed to industrial and public utility customers initially in Fairbanks from this off-take site, but other off-take sites in Alaska are possible. Highway transportation is envisioned to be through contracts with private sector trucking interests, but ownership and operation of a fleet is not precluded in the development.

Expected business case for LNG facility – The successful project developer will be required to produce LNG at reasonable tariffed cost of service, and market this gas to the public and industrial customers

For parties interested in more detailed information regarding the North Slope Liquefied Natural Gas Plant itself, AIDEA will provide such information as it becomes available.

This letter and the documents referenced in this letter are not contract documents and will not necessarily form part of any agreement that could result from this letter. AIDEA makes no representations about the referenced documents as to their accuracy, or completeness. Interested parties responding to this letter are responsible for any conclusions they may draw from this letter or the referenced documents.

Parties interested in providing responses regarding the North Slope Liquefied Natural Gas Plant should so indicate in a detailed letter of interest directed to:

James Strandberg, P.E.
Finance Officer
Energy Development
Alaska Industrial Development & Export Authority (AIDEA)
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All letters of interest must be received by January 8, 2013 in order to be considered by AIDEA.

Any and all inquiries, comments, suggestions, etc. regarding this letter should also be directed to Mr. Strandberg.